

Editorial

A letter by the Regional Editor for North America: Snapshot of the North American wine industry – The Challenges of growth

According to Wines & Vines, North America now boasts more than 9000 wineries, with the last count in 2014 showing 8287 wineries in the US, 703 in Canada, and 100 in Mexico. This number attests to the growth of the North American wine industry, which has increased by 45% since 2004 when there were approximately 5000 wineries.

In addition to this growth, the three North American wine countries support one another in terms of imports and exports. For example, after the EU, the largest wine export market for the US is Canada and the fifth largest market is Mexico. Likewise, the US is the largest importer of Canadian wine, and Mexico exports its wines to both the US and Canada. This letter provides a snapshot of each market as well as potential future challenges.

Canada – land of ice wine

Canada's 703 wineries are spread across the six provinces of British Columbia, Ontario Quebec, Nova Scotia, New Brunswick and Prince Edward Island. Of these, 94% are small enterprises producing less than 500,000 l annually. According to the *Canadian Vintner's Association*, there are approximately 27,500 acres of vineyard, with 80% of the wine produced in the Niagara Peninsula of the province of Ontario. Canada employs 31,000 people in wine and related sectors, and the industry contributes \$6.8 billion to the Canada economy.

According to the *Wine Institute*, in 2012 per capita wine consumption was 12.5 l, and Canada produced 660 hectoliters of wine – an increase of 25% since 2008. The Vidal Blanc grape is considered to be one of the signature grapes of Canada, and they are world famous for producing excellent ice wines made from this grape as well as Riesling and Cabernet Franc.

Currently the Canadian wine industry appears to be quite healthy, with increased growth in both production and consumption. They are also attracting more wine tourism to winter wine festivals in the Ontario region and for summer wine tourism in the Lake Okanagan region of British Columbia. Potential future issues for Canada include concern over global warming and the negative impact this could have on ice

wine production. Fierce competition from imports, changing demographics resulting in new wine style preferences, as well as a lucrative home winemaking industry are also potential threats to Canadian wineries.

Mexico – land of cactus and wine

Mexico is the oldest producing wine country in North America, with reports showing the Spanish established vineyards and began producing wine in the late 1500s in Mexico. Today wine is produced in three different regions of Mexico, but 90% of the production is focused in the Baja Peninsula south of California.

According to the Wine Institute (2014), Mexico ranked as the 25th largest wine producer in the world producing 102,000 liters. With a population of 115 million people, per capita wine consumption is reported to be 1.3 liters in 2012 (Wine Institute, 2014). Though traditionally a beer and tequila drinking country, *Euromonitor* reports that wine consumption is on the increase in Mexico, especially amongst the new wealthier middle class and young people. The *Consejo Mexicana Vitivinicola* (2014) states that the wine category has been growing at 12% over the past decade, with Mexicans purchasing 26% national wine and 74% imports.

A major challenge for the Mexican wine industry is to sustain growth. Starting from a low base there is much opportunity with increased interest in wine consumption by Mexican consumers as well as strong national pride in wines from Mexico. Wine tourism is thriving in the Valle de Guadalupe in Baja where thousands of visitors congregate each year to attend the Wine & Paella Festival. With a hot climate and many of the red Bordeaux varieties planted, Mexico is still trying to establish its wine identity, and find signature varieties. It also needs more collaboration amongst its wineries, and better marketing support from a national perspective to promote “Wines of Mexico.”

United States – largest wine market in the world

The US is the largest wine market in the world in terms of both volume and value. According to the *OIV*, in 2013 the US overtook France in volume when they bought 29.1 million hectoliters of wine while French consumers only purchased 28.1 million hectoliters. The US had already become the largest wine market in terms of value several years before, with estimated revenue of \$36.3 billion in 2013 wine shipments

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according to *Gomberg, Fredrikson & Associates*. Of this, 34% of sales were from imports, because even as the 4th largest wine producer in the world, the US does not make enough wine to satisfy the thirst of its 330 million people.

Much of this has to do with the fact that wine consumption has increased every year for the past decade, though in 2014 it was still only 3.14 gallons (11.9 l), according to the *Wine Market Council*. All 50 states produce wine, but 90% of the production comes from California. The next five largest producing states are Washington, Oregon, New York, Virginia, and Texas. Though the US has many of its own native grape varieties, such as Concord and Muscadine, the most popular grape varieties in terms of sales are Chardonnay and Cabernet Sauvignon.

Challenges for the US wine industry currently include fierce competition from imports, made more so with the increasing value of the US dollar in 2015. In addition the growth of the craft beer industry and the excitement of spirits mixology is also threatening wine market share to some extent. Likewise global warming and extreme drought in parts of California pose a potential future threat to the health of the US wine industry.

In conclusion, there has been much positive growth for the North American wine industry, and there is a good chance this can continue, as long as precautions are made to stem global warming, and the industry as a whole remains consumer-focused. This will require that they pay close attention to the competition and respond in a proactive manner with new wine-related offerings that satisfy and delight the consumer in their various demographic and behavioral segments.

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